

Message Text

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ACTION NEA-10

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FM AMEMBASSY KUWAIT

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E.O. 11652: N/A

TAGS: BEXP, KU

SUBJECT: KUWAIT AROMATICS PLANT

REF: STATE 216371

1. EMBASSY HAS LEARNED FROM SOURCES IN PETROCHEMICAL INDUSTRIES COMPANY (PIC), GOK MINISTRY OF OIL (MOO), AND PRIVATE TRADING FIRMS THAT PIC IS CURRENTLY RESTUDYING BOTH SHORTLIST AND FULL LIST OF FIRMS PREQUALIFIED FOR CONSTRUCTION OF THIS PLANT. EMBOFF WAS TOLD BY MOO SOURCE THAT SHORT LIST OF 12 FIRMS HAD BEEN DRAWN UP, BUT THAT WHOLE QUESTION OF WHICH FIRMS WILL BE ASKED TO SUBMIT BIDS WILL BE RE-EXAMINED. DECISION ON SELECTION IS NOT EXPECTED FOR AT LEAST TWO MONTHS, AND POSSIBLY NOT UNTIL THE END OF THE YEAR. ACCORDING TO SOURCE IN PRIVATE SECTOR, SOME ADDITIONAL PREQUALIFICATION SUBMISSIONS (TYPE UNSPECIFIED) FROM COMPANIES MAY BE REQUESTED.

2. NUMBERS REPORTED IN REFTTEL, PARA 1 -- 42 PREQUALIFIED AND 15 SHORTLISTED -- ARE IN ROUGH ACCORDANCE WITH INFORMATION AVAILABLE TO EMBASSY. WE HAVE HEARD, HOWEVER, THAT UP TO 20 FIRMS MAY BE SHORTLISTED. BADGER AND PROCON ALMOST CERTAINLY, AND KELLOGG, JAPAN GAS, FLUOR AND DAVY POWER AND GAS POSSIBLY, ARE ON LIST OF FIRMS

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PREVIOUSLY SHORTLISTED. WHATEVER THE FINAL NUMBER, IT IS

STILL CONSIDERED LIKELY THAT PIC-GRACE WILL INVITE ONLY FIVE OR SIX FIRMS TO SUBMIT ACTUAL BIDS.

3. REASON FOR RE-EXAMINATION UNKNOWN AT PRESENT TIME. POSSIBLE FACTORS INCLUDE ABSENCE OF TOP PIC OFFICIALS BECAUSE OF RAMADAN, VACATIONS, ETC. AND PRESSURE FROM LOCAL KUWAITI BUSINESS ESTABLISHMENTS ON BEHALF OF THE FOREIGN FIRMS THEY REPRESENT. LATTER A POSSIBILITY GIVEN FACT THAT CURRENT PREQUALIFICATION PROCEDURE IS A RESPONSE TO DEMANDS FROM LOCAL KUWAITI AGENTS THAT THEIR FIRMS RECEIVE MORE EQUAL CONSIDERATION.

4. AS TO ACTUAL PARTICIPATION IN VENTURE, INFORMATION FROM MOO SOURCE INDICATES THAT NEGOTIATIONS BETWEEN W.R. GRACE AND GOK ON THIS \$250 MILLION PETROCHEMICAL PROJECT ARE GOING WELL. MOO HAS ALREADY CONSIDERED AND APPROVED GRACE-PIC JOINT VENTURE. PIC REPORTEDLY WILL HAVE 80 PERCENT EQUITY, AND GRACE'S 20 PERCENT MAY BE FINANCED BY KUWAITI LOAN. FINAL STEP IS APPROVAL BY GOK HIGHER OIL COUNCIL. THERE IS NO DEFINITE WORD ON WHETHER KUWAIT NATIONAL PETROLEUM COMPANY (KNPC) HAS AGREED TO DISCOUNT PRICING FOR NAPTHA, BUT MOO OFFICIAL IN TECHNICAL AFFAIRS SECTION NOTED THAT NAPTHA WAS ALSO AVAILABLE FROM EITHER KUWAIT OIL CO. (KOC) REFINERY OR WELL-REINJECTED PRODUCTS.

MAESTRONE

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